

STATE OF TENNESSEE

Office of the Attorney General



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Reply to:
Consumer Advocate and Protection Division
Post Office Box 20207
Nashville, TN 37202

April 30, 2003

Honorable Sara Kyle
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

RE: In Re: Petition of Tennessee American Water Company to Change and Increase Certain Rates and Charges So As to Permit it to Earn a Fair and Adequate Rate of Return on Its Property Used and Useful in Furnishing Water Service to Its Customers
Docket No. 03-00118

Dear Chairman Kyle:

Enclosed is an original and thirteen copies of the Second Discovery Request to Tennessee-American Water Company by the Consumer Advocate and Protection Division of the Office of the Attorney General. Kindly file same in this docket. Copies are being sent to all parties of record. If you have any questions, kindly contact me at (615) 532-3382. Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Shilina B. Chatterjee".

Shilina B. Chatterjee
Assistant Attorney General

Enclosures

cc: All Parties of Record

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**IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:)	
)	
PETITION OF TENNESSEE-)	DOCKET NO. 03-00118
AMERICAN WATER COMPANY TO)	
CHANGE AND INCREASE CERTAIN)	
RATES AND CHARGES SO AS TO)	
PERMIT IT TO EARN A FAIR AND)	
ADEQUATE RATE OF RETURN ON)	
ITS PROPERTY USED AND USEFUL IN)	
FURNISHING WATER SERVICE TO)	
ITS CUSTOMERS)	

**SECOND DISCOVERY REQUEST TO TENNESSEE-AMERICAN WATER
COMPANY BY THE CONSUMER ADVOCATE AND PROTECTION DIVISION
OF THE OFFICE OF THE ATTORNEY GENERAL**

To: Tennessee-American Water Company
c/o T.G. Pappas, Esq.
Dale Grimes, Esq.
Bass, Berry & Sims, PLC
2700 First American Center
Nashville, Tennessee 37238-2700

The Interrogatories are hereby served upon Tennessee-American Water Company ("TAWC"), pursuant to Rules 26, 33 and 36 of the Tennessee Rules of Civil Procedure and Tenn. Comp. R. & Reg 1220-1-2-.11. We request that full and complete responses be provided, under oath, pursuant to the Tennessee Rules of Civil Procedure. The responses are to be produced at the Office of the Tennessee Attorney General and Reporter, Consumer Advocate & Protection Division, 425 Fifth Avenue North, Nashville, Tennessee 37243, c/o Vance L. Broemel and Shilina B. Chatterjee, by May 9, 2003.

PRELIMINARY MATTERS AND DEFINITIONS

Each Interrogatory and Request to Produce calls for all knowledge, information and material available to TAWC, as a party, whether it be TAWC's, in particular, or knowledge, information or material possessed or available to TAWC's attorney or other representative.

These Interrogatories and Requests to Produce are to be considered continuing in nature, and are to be supplemented from time to time as information is received by TAWC which would make a prior response inaccurate, incomplete, or incorrect. In addition, the Attorney General requests that TAWC supplement responses hereto with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, and the identity of each person expected to be called as an expert at hearing, the subject matter on which the expert is expected to testify, and the substance of the expert's testimony.

For purposes of these Interrogatories and Requests to Produce, the term "you" shall mean and include: Tennessee-American Water Company, American Water Works Company, Inc. American Water Works Service Company ("AWWS") and RWE Aktiengesellschaft ("RWE") and all employees, agents and representatives thereof.

The term "person" or "persons" as used herein refers to any natural person, corporation, firm, company, sole proprietorship, partnership, business, unincorporated association, or other entity of any sort whatsoever. Where a company or organization is the party being served, all responses must include the company's response. Moreover, the company's designated person for responding must assure that the company provides complete answers. *A complete answer must provide a response which includes all matters known or reasonably available to the company.*

The term "identity" and "identify" as used herein, with respect to any person, means to

provide their name, date of birth, current residence address, current residence telephone number, current business address, current business telephone number, and the occupation or job title of that person; with respect to an entity, those terms that mean to provide the name by which said entity is commonly known, the current address of its principal place of business, and the nature of business currently conducted by that entity; with respect to any document, those terms that mean to provide the date of the document, the nature of the document, and the title (if any) of the document.

The term "document" as used herein, means any medium upon which intelligence or information can be recorded or retrieved, such as any written, printed, typed, drawn, filmed, taped, or recorded in any manner, however produced or reproduced, including but not limited to any writing, drawing, graph, chart, form, photograph, tape recording, computer disk or record, or other data compilation in any form without limitation. Produce the original and each copy, regardless of origin or location, of any book, pamphlet, periodical, letter, note, report, memorandum (including memoranda, note or report of a meeting or conversation), spreadsheet, photograph, videotape, audio tape, computer disk, e-mail, or any other written, typed, reported, transcribed, punched, taped, filmed, or graphic matter, however produced or reproduced, which is in your possession, custody or control or which was, but is no longer, in your possession, custody, or control. If any such document or thing was, but no longer is, in your possession or control, state what disposition was made of it and when.

If you produce documents in response to these Interrogatories, produce the original of each document or, in the alternative, identify the location of the original document. If the "original" document is itself a copy, that copy should be produced as the original.

If any objections are raised on the basis of privilege or immunity, include in your response a complete explanation concerning the privilege asserted.

If you contend that you are entitled to refuse to fully answer any of this discovery, state the exact legal basis for each such refusal.

If any of the interrogatories are not answered on the basis of privilege or immunity, include in your response to each such interrogatory a written statement evidencing:

- (a) the nature of the communication;
- (b) the date of the communication;
- (c) the identity of the persons present at such communication; and
- (d) a brief description of the communication sufficient to allow the Court to rule on a motion to compel.

If, for any reason, you are unable to answer a discovery request fully, submit as much information as is available and explain why your answer is incomplete. If precise information cannot be supplied, submit 1) your best estimate, so identified, and your basis for the estimate and 2) such information available to you as comes closest to providing the information requested. If you have reason to believe that other sources of more complete and accurate information exist, identify those sources.

If any information requested is not furnished as requested, state where and how the information may be obtained or extracted, the person or persons having knowledge of the procedure and the person instructing that the information be excluded.

If a document exists in different versions, including any dissimilar copies (such as a duplicate with handwritten notes on one copy), each version shall be treated as a different

document and each must be identified and produced.

These discovery requests are to be interpreted broadly to fulfill the benefit of full discovery. To assist you in providing full and complete discovery, Petitioner provides the following definitional guidelines.

The terms “and” and “or” shall be construed conjunctively or disjunctively as necessary to include any information that might otherwise be construed outside the scope of these requests.

The term “communication” means any transmission of information by oral, graphic, pictorial or otherwise perceptible means, including but not limited to personal conversations, telephone conversations, letters, memoranda, telegrams, electronic mail, newsletters, recorded or handwritten messages, or otherwise.

SECOND DISCOVERY REQUEST

INTERROGATORIES AND REQUESTS TO PRODUCE

DISCOVERY REQUEST NO. 1:

Identify each person whom you expect to call as an expert witness at any hearing in this docket, and for each such expert witness:

- (a) identify the field in which the witness is to be offered as an expert;
- (b) provide complete background information, including the expert’s current employer as well as his or her educational, professional and employment history, and qualifications within the field in which the witness is expected to testify, and identify all publications written or presentations presented in whole or in part by the witness;

- (c) provide the grounds (including without limitation any factual basis) for the opinions to which the witness is expected to testify, and provide a summary of the grounds for each such opinion;
- (d) identify any matter in which the expert has testified (through deposition or otherwise) by specifying the name, docket number and forum of each case, the dates of the prior testimony and the subject of the prior testimony, and identify the transcripts of any such testimony;
- (e) identify for each such expert any person whom the expert consulted or otherwise communicated with in connection with his expected testimony;
- (f) identify the terms of the retention or engagement of each expert including but not limited to the terms of any retention or engagement letters or agreements relating to his/her engagement, testimony, and opinions as well as the compensation to be paid for the testimony and opinions;
- (g) identify all documents or things shown to, delivered to, received from, relied upon, or prepared by any expert witness, which are related to the witness(es)' expected testimony in this case, whether or not such documents are supportive of such testimony, including without limitation all documents or things provided to that expert for review in connection with testimony and opinions; and
- (h) identify any exhibits to be used as a summary of or support for the testimony or opinions provided by the expert.

DISCOVERY REQUEST NO. 2:

Please produce copies of any and all documents referred to or relied upon in responding to CAPD's discovery requests.

DISCOVERY REQUEST NO. 3:

Please provide all material provided to, reviewed by or produced by any expert or consultant retained by TAWC to testify or to provide information from which another expert will testify concerning this case.

DISCOVERY REQUEST NO. 4:

Please produce all work papers of any TAWC's proposed experts, including but not limited to file notes, chart notes, tests, test results, interview and/or consult notes and all other file documentation that any of TAWC's expert witnesses in any way used, created, generated or consulted by any of TAWC's expert witnesses in connection with the evaluation, conclusions and opinion in this matter.

DISCOVERY REQUEST NO. 5:

Please produce a copy of all trade articles, journals, treatises and publications of any kind in any way utilized or relied upon by any of TAWC's proposed expert witnesses in evaluating, reaching conclusions or formulating an opinion in this matter.

DISCOVERY REQUEST NO. 6:

Please produce a copy of all documents which relate or pertain to any factual information provided to, gathered by, utilized or relied upon by any of TAWC's proposed expert witnesses in evaluating, reaching conclusions or formulating an opinion in this matter.

DISCOVERY REQUEST NO. 7:

Please produce a copy of all articles, journals, books or speeches written by or co-written by any of TAWC's expert witnesses, whether published or not.

DISCOVERY REQUEST NO. 8:

Regarding the company's response to Item 53 of the CAPD's first discovery request, provide the consolidated capital structure of American Water Works as of July 31, 2002. For each bond or note held, provide the information on a diskette or CD that can be read in ASCII or Excel:

- (a) the face amount of each long-term debt note;
- (b) the date the note was issued;
- (c) the date the note is scheduled to mature;
- (d) the note's interest rate payable to the note holder;
- (e) the number of payments made each year to the note;
- (f) the earliest date the note can be called in by the company for early redemption;
- (g) the unamortized balances and monthly amortization, if any, on the gain or loss if any, on reacquired long-term debt;
- (h) the amount the company must pay to note holders in the event of early redemption;
- (i) the amount rolled into the note for early redemption of notes that have already been retired;
- (j) the book value of the assets pledged against the note;

- (k) the name and business address of the company or person(s) who own the assets;
- (l) the minimum equity ratio, TIER ratio, and any other term or condition which must be met by the company to comply with the note's covenants and indicate if the note is a senior or subordinated debt; and,
- (m) provide the amount of equity, as a portion of total equity, attributable to stock options awarded to employees and members of the company's Board, including all executive officers.

DISCOVERY REQUEST NO. 9:

Regarding the company's response to Item 54 of the CAPD's first requests, provide the capital structure of RWE, for each bond or note held in the category "liabilities." Provide the information on a diskette or CD that can be read in ASCII or Excel.

- (a) the face amount of each long-term debt note;
- (b) the date the note was issued;
- (c) the date the note is scheduled to mature;
- (d) the note's interest rate payable to the note holder;
- (e) the number of payments made each year to the note holder(s);
- (f) the earliest date the note can be called in by the company for early redemption;
- (g) the unamortized balances and monthly amortization, if any, on the gain or loss if any, on reacquired long-term debt;

- (h) the amount the company must pay to note holders in the event of early redemption;
- (i) the amount rolled into the note for early redemption of notes that have already been retired;
- (j) the book value of the assets pledged against the note;
- (k) the name and business address of the company or person(s) who own the assets;
- (l) the minimum equity ratio, TIER ratio, and any other term or condition which must be met by the company to compel with the note's covenants and indicate if the note is senior or subordinate debt.

DISCOVERY REQUEST NO. 10:

Regarding the company's response to Item 54, the capital structure of RWE, for each item within the category of "Provisions," please provide:

- (a) description of the provision;
- (b) the amount;
- (c) the date the provision began;
- (d) the date the provision is expected to terminate;
- (e) the carrying cost and interest rate RWE assigns to carrying the provision on the company's books; and,
- (f) Indicate if RWE or any of its subsidiaries are fully or partially guaranteeing any debt or financial obligations not accounted for in its consolidated statement - and

provide the amounts involved and the business organization receiving the guarantee.

DISCOVERY REQUEST NO. 11:

Regarding the response to Item 60 of the CAPD's first discovery requests, describe and provide any analysis prepared by the company witness Mr. Moul, where Mr. Moul develops and evaluates the ranking system applied by value line to determine "timeliness," "safety," "financial strength," "price stability," "technical rank" and "beta."

DISCOVERY REQUEST NO. 12:

Regarding the response to Item 62 of the CAPD's first discovery requests, describe and provide any analysis prepared by the company witnesses to develop the "judgment" the company used to determine the class demand factors.

DISCOVERY REQUEST NO. 13:

Please detail the reasons involved in revising the Lease Agreement (although referenced in "Rate Base Backup - Working Papers Book 2 of 2) dated June 24, 1977, amended April 26, 1978 revised in Lease Amendment No. 2 dated September 8, 1997 for 15 years beginning on June 1, 1998 and ending on May 31, 2013. Include:

- (a) A copy of the original agreement dated June 24, 1977 and amendment dated April 26, 1978;
- (b) A narrative explaining the reasons necessitating the 15 year extension to the lease;
- (c) All analysis provided to management before extending the lease agreement (i.e. comparing lease alternatives);

- (d) Company correspondence requesting the approval of modifications and a copy of management approval of the requested modification. Also provide copies of all correspondence with Second Century/Tallan Properties, or others involved in the modification;
- (e) Square footage leased (if different from the 15,000 ft. in the original lease). If different, quantify the amount of additional space needed and its useful purpose;
- (f) A detailed description of the number of employees housed in the property before and after the modification and include the number of employees there today;
- (g) A detailed description of the job functions performed by the occupants of the leased space before and after Lease Amendment No. 2: i.e., accounting, personnel, customer service, call center, etc.;
- (h) A detailed description of the change in cost to TAWC regarding the physical modification to the building ("which increased the Annual Rent to reflect Tenant's modifications in the plans and specifications for construction of the Leased Premises"). Provide a narrative of the reasons for the building modifications;
- (i) A detailed description of a copy of all analysis including leasing alternatives prepared and used by management lease negotiations with Tallan Properties not provided in (c) above.

DISCOVERY REQUEST NO. 14:

Provide the location of all additional locations providing services to TAWC or affiliates in the Chattanooga area. Provide the functions (similar to (f) and (g) above in Request No. 3) performed from the location, number of square foot utilized, the number of personnel at 12/31/1997 vs. today, if the property is owned vs rented/leased.

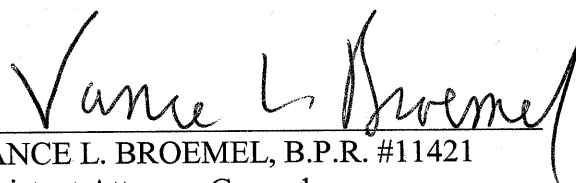
DISCOVERY REQUEST NO. 15:

Explain the dramatic increase in estimated bills (based on response to CAPD's first discovery request, question 69) 1.4% in 1997 to 19.27% in 2002. Provide a comparison of the number of customer complaints and the number of requests for actual readings resulting from this increase for the period 1997 through 2002.

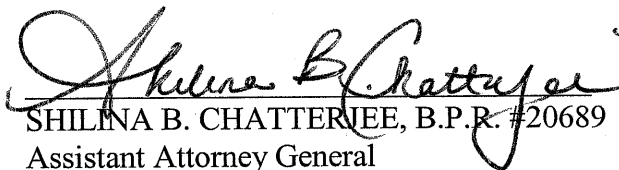
DISCOVERY REQUEST NO. 16:

Please provide copies and explanations for all adjusting entries made before closing the books for fiscal 2001.

RESPECTFULLY SUBMITTED,



VANCE L. BROEMEL, B.P.R. #11421
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
(615) 741-8733




SHILINA B. CHATTERJEE, B.P.R. #20689
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202
(615) 532-3382

Dated: April 30, 2003

CERTIFICATE OF SERVICE

I hereby certify that a true and exact copy of the foregoing has been forwarded by first-class mail, postage prepaid, to T.G. Pappas, George H. Masterson, R. Dales Grimes, Attorneys at Law, Bass, Berry & Sims, PLC, AmSouth Center, 315 Deaderick Street, Suite 2700, Nashville, Tennessee 37238-3001, on this 30th day of April, 2003.


SHILINA CHATTERJEE
Assistant Attorney General

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